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Report of the Inquiry Into Alleged Irreg
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MR. JUSTICE TWEEDIE'S

# R E P O R T

M. D. OF INGA NO. 520

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TO:

HIS HONOUR
THE LIEUTENANT GOVERNOR IN COUNCIL,
PROVINCE OF ALBERTA,
CANADA.

Re: Inquiry into certain matters pertaining to the administration of the affairs of the Municipal District of Inga, No. 520.

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I beg to report as follows:

On the 21st day of July, 1931, a Commission was issued under the authority of an Act intituled "The Public Inquiries Act," 1922, R.S.A. Chap. 26, authorizing your Commissioner to make inquiries as to certain specified matters in regard to the administration of the Municipal District of Inga therein set forth, eleven in number.

H. H. Parlee, K.C. was appointed Counsel for the Commission by your Government. All necessary and reasonable steps were taken to render the Inquiry full and complete, and every opportunity was given to all those whose interest might be affected as individuals, and especially to all the ratepayers of the Municipal District, to be heard either personally or through their respective Counsel.

The sittings of the Commission were duly advertised in the local paper at Stony Plain, a village within or adjacent to the Municipal District, in the Stony Plain Sun on Jamary 13th and August 6th and at Edmonton in the Edmonton Journal and the Edmonton Bulletin on July 25th and August 1st, and Mr. Parlee, Counsel to the Commission was present three days, August 5th, 6th and 7th before the opening of the Inquiry at the Town Hall in Stony Plain for the purpose of receiving complaints and considering evidence which any person might desire to make or tender. For some three months before the holding of this Inquiry

Detective Coggles of the Alberta Provincial Police, investigated complaints and rumours which have been made and come to the attention of the Minister of Municipal Affairs concerning alleged irregularities throughout the District for the purpose of placing information before the Commission.

The sittings were opened in a public hall at Stony Plain at ten o'clock on Monday, August 10th, and were continued on the 11th, 12th, 13th, 14th, 17th, 18th and 19th, and two adjourned sittings were held at the Court House in Edmonton on the 10th and 24th days of November when the Secretary-Treasurer was examined in regard to the accounts, and the Councillors in regard to the expenditure of Municipal funds on public works. Seventy-four witnesses, some of whom were recalled, were examined. This evidence extended comprised - eleven hundred and twenty-four pages. Sixty-three exhibits were placed before the Commission, in addition to which were submitted various reports which were not included as exhibits. In addition to Counsel for the Commission there were present - Mr. R. English, then Acting, now Deputy Minister of Municipal Affairs, Detective Coggles of the Alberta Provincial Police, Mr. George J. Bryan, Counsel for Councillors McKinley, Kreye, Akins and Goerz, and Mr. A.F. Duncan as Counsel for Mr. and Mrs. Pidgeon, the Secretary-Treasurer and Assistant Secretary-Treasurer respectively. Councillors Howatt and Francey were personally present in their own interests during the whole proceedings. T.A. Powell was Official Reporter, T.F.W. Henderson, Clerk, and Constable Bowen, Orderly to the Commission.

The Municipal District of Inga lies approximately twenty miles west of the City of Edmonton, and comprises an area of approximately 302.50 square miles. It is divided into six divisions, each division being represented by one Councillor.

The divisions, area and Councillors at the date of this Inquiry were as follows:

| Divisions | Area | Councillors | As to investigation, period in office From | Years |
|---|---|---|---|---|
| 1. | 63.74 | McKinley | 1923 | 9 |
| 2. | 53.22 | Kreye | 1926 | 6 |
| 3. | 35.54 | Akins | 1928 | 4 |
| 4. | 54.00 | Francey | 1929 | 3 |
| 5. | 54.00 | Howatt | 1923 | 9 |
| 6. | 42.00 | Goerz | 1923 | 9 |

The term of office of each Councillor is for two years, three Councillors retiring each year. The Council year expires on the 13th day of March. The financial year is from January 1st to December 31st, each calendar year.

The evidence was given for the most part in a frank and straightforward manner, even in cases of most witnesses whose evidence would be of a nature tending to incriminate themselves. There were, however, some direct contradictions in regard to material questions and the memory of some of the witnesses, due no doubt, to lapse of time, was more or less faulty. The evidence of some witnesses when called was found to be of little value as it was based very largely upon current rumour and gossip and they had no knowledge of any particular facts which would support the statement made by them.

The subject matter of the Inquiry may be divided into two classes (1) that which has to do with particular acts of individuals, and (2) that which relates to the administration of the business of the Municipality of the Councillors as a body.

Dealing with the first class, the matters to be inquired into in connection therewith and the conclusions arrived

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at, are as follows:-

(a) Moneys paid to ratepayers and others in the years 1923 to 1931, inclusive, for road work and other municipal work, which moneys were not earned:

The irregularities in this respect arise almost for the whole part in Division 1 represented by Councillor McKinley. The amounts involved, which are not very great, and the circumstances under which they were paid are as follows:-

(1) Chester Kimmerley received a cheque dated August 1st, 1929, for $36.00 in payment for certain road work. He had been paid for the work by receiving a credit on his taxes of $19.05, and cheque for $16.95, dated August 1st, 1929. Councillor McKinley advised him to keep this cheque and that he could work it out. A false time sheet was subsequently filed covering the same work, and the cheque for $36.00 charged against it. The Municipality has not yet received repayment of the money nor has work been done covering it, although Kimmerley subsequently did work for which he was paid in full instead of a deduction for the $36.00 having been made.

(2) Melcher Aronson received pay in 1930 for a man and four horses $54.50. He had no man there and only two horses and was overpaid $38.00. He should have received payment for two horses, 64 hours at 25¢ per hour which would have amounted to $16.00. The man whose name appears on the time sheet is R. Aronson who was then eight years of age and who is wholly incapable of driving a team. R. Aronson appeared again on the time sheet as driving a four horse team which he was physically incapable of doing. I am quite satisfied that Melcher Aronson received money for teams working on the road which never worked but from the conflicting testimony it is impossible to state the exact amount. Councillor McKinley who has a personal acquaintance with the Aronson family knew or must have known perfectly well when he submitted the time sheets to the Council showing R. Aronson as driving a four horse team that he was submitting something which was untrue in fact. It is interesting to note that one witness, George Scott, stated that he drove Aronson's horses for about a month. He started in the first week of July and finished in the first week of August, 1929. The horses were in Aronson's name on the time sheet, the labour in his own. He did nothing but drive Aronson's horses. The horses on the time sheet for that period show 12 days, his own 23 days, for which he received cheque for $75.25 all of which he kept for himself. He was unable to explain the difference in time. If his story is correct Aronson's horses must have been working 11 days for nothing, or he must have received pay for 11 days which he did not earn.

(3) In November 1930, the Assistant Secretary-Treasurer sent James Asselford a cheque for $37.60 in error. A. Lyons had earned the money and was entitled to it. When she found out her mistake she wrote to Asselford for a return of the cheque or money and he replied that he had spent it and told her to charge the amount against his land.

(4) In 1923 William C. Williams did road work and phoned in his time to McKinley. Cheque came back for $10.00 too much. Williams later told McKinley that the cheque was for too much. McKinley told him then that "it was no mistake, just a little rakeoff." Williams kept the $10.00 by arrangement with McKinley and "worked it out" in road work later.

(5) Councillor Howatt received a cheque for approximately $38.00 to which he was not entitled, and which he promptly returned to the Secretary-Treasurer. This cheque was no doubt issued in error.

(6) In June 1930 R. Kincart was paid for work with team, 2 hours at 85¢ per hour, $1.70, which he did not do. B.G. Powell was foreman and arranged with Kincart to do brushing next day for that amount. Kincart did not do it, so Powell did it without pay.

(7) Alfred Klevan says that he got a cheque for $13.00 for which he did not do work. I think that he is mistaken; he did work in the early summer for which he received a cheque dated December 16th, 1930, for $13.87 and probably had this cheque in mind.

(8) George Winkel in 1930 got a cheque by mail for $27.00 for work which he did not do. The cheque was intended for another George Winkel at Mewassin. The Secretary-Treasurer said it must have been a mistake. Winkel returned it.

(9) Herman J. MacDonald, in June 1928 put in a time sheet for himself as foreman for which he gave Councillor McKinley his time and for which if McKinley wrote down at the regular rate of wages he would have been entitled to $28.20. He received a cheque for $50.10. McDonald can account for the difference only to the extent of $6.50 for which he says he did not put in a time sheet but to which he was entitled. That would make his account $34.70. He cannot account for any more. So that he was overpaid $15.40. McDonald signed the sheet as foreman and after he signed, McKinley inserted T.R. Scott's name of which McDonald had no knowledge. McDonald said that he was doing wrong in keeping the money.

While the amounts involved in the above transactions are small, they were, I have no doubt, entered into by Councillor McKinley, without a full appreciation of their character but perhaps being prompted by a desire to be generous, overlooking the fact that he was generous with the ratepayers' money. Had there been but one or two transactions of the above nature they might have been excused on the ground of error. The occasions are too numerous to permit of this.

(b) Work done during any of the said years on private property or for private individuals and charged to and paid for by the Municipal District:

(1) In July 1930 Walter Graden was road foreman in Division 2. Men were working near his place on the road. He sent two of them to cut brush on his place where they worked a day and a half and entered their names on the payroll and they were paid by the Municipality for the time they were working on his farm. Graden says that he went out with his team and pulled logs out of the way so the men could get on faster with road work and that he did not charge the Municipality for the time of himself and team which was equal in value to that which the two men, Ziehrs, had done for him. The time sheets, however, show that he himself was working with a team where this was supposed to have taken place. He explains that by saying that a man by the name of Scott owed him some money and worked to pay him back but instead of putting his own - Scott's - name on the pay sheet he put Graden's on and did work to the extent of $40.50.

Edward Ziehr swears that Graden worked a day and a half removing logs. I find that Graden did the work alleged without charge in exchange for what Ziehr did for him. There was no justification for the exchange of labor and it is practices like that which arouse suspicion in the minds of the ratepayers.

(2) In 1928 B.G. Powell, a foreman in Division 1 sent Herbert Heichen, a road worker, to split wood for a Mrs. Schwartz where he worked one day and was paid by the Municipality for his time. Mrs. Schwartz was a widow woman living with her daughter and Mr. Powell, no doubt, was moved with sympathy when he saw the old lady out splitting wood.

The remarks above in regard to Walter Graden apply in this case.

(3) It has been suggested that Mr. Murphy at Edmonton Beach had some work done for him, filling up a pot hole on his land, by the road crew in Division 6. Some little earth may have been dumped on Murphy's lot, but if so, this was necessary to give him a proper approach from the highway to his lot and should have been done by the Municipality.

(4) It is also suggested that work was done for Barrie at the Beach settlement by Goerz to which he was not entitled and at the expense of the Municipality. While Goerz and Barrie were very friendly, I am not prepared to find that Goerz authorized the expenditure of Municipal funds for Barrie's benefit on his private property.

(e) Compilation of fictitious time sheets, in whole or in part, the alteration of, or addition to, time sheets, and generally any irregularities or improprieties in connection with Municipal time sheets during the years 1923 to 1931, inclusive.

The irregularities in connection with these time sheets occurred almost wholly in Division 1.

The time sheets were prepared by the foreman who is superintending the work. He may have under his control two or three or perhaps a dozen or more men, and starting from the left hand, across to the right, on the time sheet is entered the name of the workman, his address, particulars of service, hours of labor, rates of pay, amount paid by tax receipt, amount paid by cheque, and on the extreme right a space for the signature of the labourer whose name is entered on the left hand side. This signature is supposed to be the signature of the man whose name is at the left hand side of the time sheet, and a note on the time sheet says "Foreman must be careful to see that those who have performed work sign their names in the space opposite the amount due them as an acknowledgment of the amount due." There is a further notation that "unless work is described on the back correctly by road foreman, this account will not be paid."

The pay sheet is certified by the foreman in charge of work and when so certified is forwarded by him to the Councillor for the division in which the work was done and the Councillor in the division forwards same to the Secretary-Treasurer to be presented to the Council for approval of payment. The foreman certified "I, the undersigned foreman on the work covered by this pay sheet do hereby certify that each man whose name appears thereon has worked the actual number of hours set opposite his name and supplied teams as stated."

The certificate of the Secretary-Treasurer and Reeve is as follows: "I hereby certify that the above expenditure was authorized by the vote of the Council on the day of 19 , and the amount shown was ordered paid by vote of the Council on the day of 19 .", and then "Secretary-Treasurer" underneath, and "Reeve or Chairman."

There were occasions when only one man was employed, in which case he would certify the time sheet on his own behalf as foreman.

There is no authority whatever after the time sheets have been certified by the foreman to make any additions to, deductions from or alterations in the names of employees, particulars of service, hours of service or rates of pay.

To go into details of all the alterations, additions substitutions and deductions which were made by Councillor McKinley in Division 1 would take a very great deal of space and would serve no good purpose. From a close examination of the time sheets in his district, I have no hesitation in saying that in very many cases the time sheets submitted by McKinley to the Council for approval of expenditures in his division were absolutely worthless as a guide to the council in determining the accuracy of the information contained there

For example, if a workman's name appeared on the time sheet and his signature was not on the right hand column certifying that the amount was due, McKinley had no hesitation whatever in affixing a signature which purported to be the signature of such employee without that employee's authority and without knowledge on his, McKinley's part as to whether or not the work had been done and the amount was due. He has even signed the name of the foreman to a time sheet certifying as to the facts of which he could not have been cognizant as he was not present in person supervising the work. He has deducted the hours of labor and where the foremen put in ten hours a day and certified it he, without any knowledge of the facts other than what he may have gained from a cursory inspection of the work, deliberately changed the hours of labor from ten per day to nine per day. On one occasion when a time sheet was put in setting out the amount of labour done and the amount due, he has included in the time sheet work for an employee, which was not set forth by the employee, and increased the amount to be paid to the employee. He has led the Council to approve of time sheets when he must have known that the work was not performed and that the time sheet was used merely for the purpose of covering up an error of the Secretary-Treasurer's in the overpayment of an employee to retain the money for his own use.

One flagrant alteration of a time sheet occured in the office of the Secretary-Treasurer and was made by the Assistant Secretary that of striking out workman's name, substituting another in its place and allowing the substituted man to draw the pay.

These time sheets, I am afraid, are of very little value and I would suggest that some better method of keeping a record of the time of employees in the district be devised.

(d) Non-accounting to the municipal district of moneys collected on behalf of the district, in particular by councillors for work done where the cost thereof was to be divided between district and ratepayer:

Councillor Goerz received from Mr. Kulak the sum of $7.50 on account of the replacement of a culvert. The culvert was a joint benefit to the Municipality and to Mr. Kulak. By arrangement it was agreed that the Municipality would put in the culvert and that Kulak would pay one half of the costs for the lumber. The lumber was all paid for by the municipality. Kulak gave Goerz $7.50 on account of it which Goerz has not accounted for to the Municipality and which he denies ever having received.

The Secretary-Treasurer received from William Taylor at Duffield on the night of a picnic in July 1929 an envelope containing $55.00 which had been left with him by one Matthys to be handed over to the Secretary-Treasurer in payment of his taxes, which were slightly over $50.00. Taylor subsequently received the change, around four dollars, from the Secretary-Treasurer and gave it to Matthys. Mr. Pidgeon, the Secretary-Treasurer, denied having received the money. As to that he is in error. I find as a fact that he did receive it and has not yet accounted to the Municipality. I also find that there was no criminal intent, in retaining the money, on Pidgeon's part. He simply forgot all about it and cannot now convince himself that he received it. It is a result of that carelessness on his part which characterizes the performance of his duties. I can well understand that one occupying the position he did who would sign and affix the seal of the corporation to promissory notes for $1110.00 and make no entry in his books, or issue duplicate cheques for the same amounts might overlook the receipt of $55.00 by him.

There was much conflicting evidence which I carefully considered before arriving at the above conclusion.

(e) The existence of bribery or corruption between councillors and ratepayers or others, or between councillors:

I find no evidence of any bribery or corruption having taken place other than a statement made by Mr. Goerz to Mr. J.A. Barrie in which he stated that he had been offered $200.00 to vote for the purchase of big machinery. Goerz denies that he was offered $200.00, denies that he ever made the statement and there is no evidence whatever from which I can conclude that there were any acts of bribery or corruption.

(f) Irregularities in the matter of the performance of roadwork by servants of ratepayers employed by the latter on a monthly wage:

In regard to the performance of roadwork by servants, I find that it has long been the established custom that a taxpayer would often send out an employee of his to work on the road. The employee would be paid his regular monthly wage by the employer, while the employer would receive from the Municipality either in cash or by credit on taxes the amount payable for such employee's services. No objection has been made by any employee in regard to such a system, and in view of the long established and well known custom in that regard, I cannot see that there is anything irregular in the practice so long as ratepayers are allowed to perform what is in substance the old statute labor in the payment of their taxes. The system in force here is not simply that of statute labor as the Councillor or the foreman has the perfect right to hire any person to do roadwork, although there is a provision generally by the Council that they permit taxpayers to work out so much of their taxes, but on the other hand, if a taxpayer

works for the Municipality on any public work he is entitled to receive payment in full in cash for such work and pay his taxes in cash.

(g) Irregularities in matter of benefits to members of Council arising out of the performance of municipal work:

In regard to the above I may say that the members of the Council did not use their position as councillors for their own benefit or do anything inconsistent with their office except in three respects in regard to which it is necessary to direct attention to the provisions of the Municipal Districts Act, Section 57 of which provides "if after the election of any person as a member of the council he -

(e) Becomes disqualified from sitting or voting in the council under the provisions of Section 29;

his seat in the council shall forthwith become vacant."

Section 29 provides:

(29) The following shall not be eligible to be elected a member of the council or be entitled to sit or vote therein;

.....

(e) Any person having himself or by or with or through another an interest in any contract with the council, or with any person or persons acting for the council or in any contract under which any money of the Municipal District is to be paid for any service, work, matter or thing;

(f) any person who is surety for an officer or employee of the council;

(g) any person who has been convicted of a criminal offence punishable by death or imprisonment for more than two years.

The evidence establishes that councillor Kreye pursuant to a resolution passed by the council on the 5th day of August, 1927, entered into an agreement with the council whereby he hired his tractor to the municipality for the purpose of doing roadwork in division 2, which Kreye represented as councillor. Under this arrangement he did forty hours road work for which he was paid at the rate of $3.00 per hour or $120.00 in all, out of which he paid the man who operated it and provided gasoline and oil with the result that he had not much left for himself. I am satisfied that Kreye knew perfectly well that he, being a councillor, had no right to make any such arrangement with the municipality and that the councillors all of whom with the exception of McKinley, who was not present, supported the resolution authorizing such an arrangement with Kreye, were doing something which should not have been done. Francey and Atkins were not then members of the council. Kreye did not have his name appear on the pay sheet but the tractor was in the name of Walter Allen to whom he paid 60¢ an hour for operating the tractor. He gives as his reason for Allen's name on the pay sheet that he thought that he could not sign the time sheet and certify as to the hours of work. Allen says that he did not know that the tractor would be on the time sheet in his name until after he commenced to work, and that he was of the opinion that it was in his name to avoid "any irregularities with the council." Kreye was also a surety for Pidgeon the Secretary-Treasurer. Pidgeon, while acting as Secretary-Treasurer, engaged in garage business and in such business was purchasing cars from the General Motors. Kreye had guaranteed his account during his term of office. By reason of his having contracted with the municipality for the use of his tractor and his being a surety for the Secretary-Treasurer, he disqualified himself under Sections 57 and 29 above in part

quoted from sitting or voting in the council, and rendered himself liable to ouster proceedings.

It also establishes that councillor Akins entered into a contract with the municipality for the purchase of the South West Quarter 35-51-3-West of the 5th. This quarter section had charged against it arrears for taxes in the sum of approximately $800.00 and was sold at a tax sale on May 17th, 1930, for $101.00 the alleged purchaser being, Mrs. Cora Akins, the wife of the councillor. The evidence establishes very clearly she was not in fact the purchaser but that Akins himself was, the money having been advanced by him to her for that purpose, after the purchase the title being transferred to him. I am quite satisfied that he fully realized that he should not have entered into an agreement with the municipality for the purchase of this land, even though he paid the highest price obtainable for the quarter section at the sale. He under Sections 56 and 29 after the transaction was not qualified to sit and vote on the council.

Councillor Goerz received a personal benefit inasmuch as he received $7.50 which he did not account for to the municipality, and the share of a bottle of whisky consumed by himself, Henry Kulak, and Joe Kulak in part payment of which Henry Kulak while road foreman in Division 6 padded his payroll for $4.25 in 1930 with Goerz' approval and by his instructions. These acts did not disqualify Goerz from sitting in or voting at council meetings as he had not been "convicted of a criminal offence punishable by death or of imprisonment of two years." They were, however, criminal acts. As to the latter, Henry Kulak was equally guilty with Goerz.

(h) The misuse of the municipal office for debt collection purposes:

There is no evidence whatever to support any such charge. It was attempted to show that one of the councillors, Councillor Howatt, had been using the Municipal Office for that purpose, but there is not the slightest scintilla of evidence that Councillor Howatt used the office for that purpose. It is quite true that some moneys which were payable by the Municipality to certain people who had done roadwork, or who were entitled for other reasons to money from the Municipality, were paid to Howatt but those were paid upon the order of those who were entitled to the money and for the benefit of the people who were entitled to the money and rather than Howatt using the Municipal Office as a debt collecting bureau he was really rendering a service to the people to whom the money was payable and who got the benefit of his services. The same applies to the other instances in this connection with which this was suggested.

(i) Generally the manner in which his duties of office have been performed by the former Secretary-Treasurer and particularly the manner in which the duties of the office of Secretary-Treasurer and of the incumbent or incumbents of such office have been performed during the years 1923 to 1931 both inclusive:

E. H. Pidgeon was Secretary-Treasurer of the District from 1920 up to the present time. His salary was increased from time to time until he was receiving a salary of $1500.00 per annum. On May the 5th, 1931, his salary was increased by resolution of council to $1700.00 per year by reason of extra work having been imposed upon him in the collection of school taxes. On July 7th, 1931, the council passed a resolution rescinding the motion of May 5th and another resolution retroactive to June 1st was passed,

reducing the salary to $900.00. Another resolution was passed at the same meeting appointing his wife Doris I. Pidgeon assistant Secretary-Treasurer at a salary of $800.00. So that Pidgeon was entitled to a salary of $900.00 from June 1st to July 7th, 1931, and Mrs. Pidgeon of $800.00 from July 7th, Mrs. Pidgeon had been helping Pidgeon in his work for many years, he having been engaged in the garage business to which he devoted most of his time. While engaged in the garage business he became financially involved, was being pressed by his creditors, and in order to protect his salary against attachment by way of garnishee conceived the idea of having the office of Assistant Secretary-Treasurer created and having his wife appointed leaving himself $900.00 of his salary or $75.00 per month. In other words, the creation of the office of assistant Secretary-Treasurer was part of a scheme to enable Mr. Pidgeon the Secretary-Treasurer to do a fraudulent act, namely, defeat, hinder and delay his creditors, of which fraud the council had full knowledge and to which it lent its aid and thereby became a party. There is no need of any assistant Secretary-Treasurer in that district and one competent person could have done the work much more efficiently than the two present officers combined. The council were wholly wrong in acting as they did in the above matter.

While Mr. Pidgeon was Secretary-Treasurer he was for the most part engaged in other business and did not maintain a separate office for municipal business with the result that he had no proper accommodation in which to carry on his municipal work.

He performed his duties of office in what I consider an entirely unsatisfactory and inefficient manner, and in a large degree contributed to placing the District in the unfortunate financial condition in which it is. He failed to familiarize himself with the provisions of the Municipal District Act - which every Secretary-Treasurer worthy of the name should be perfectly familiar with - so that he might be in a position to guide the councillors in

their deliberations if they would submit to guidance. His knowledge of it seemed to be of a most casual and desultory kind. He did not keep himself informed as to the financial standing of the District finances from day to day and was unable to inform the councillors at council meetings in exact detail upon matters which came up for discussion. The minutes of Council Meetings were kept in an unsatisfactory manner; there were too many corrections in them; some pages were written upside down; motions in the Minutes were allowed to stand without recession even though the subject matter of the resolution was subsequently dealt with and disposed of in a manner entirely different to that provided for in the unrescinded motion; many columns of figures appear without being totalled up; resolutions of major importance had no recitals to indicate why they were passed, such as resolutions authorizing the levy of taxes; in one instance an entry was made on the page under the Secretary's and Reeve's signatures, after the Minutes were closed; there is a lack of information, in regard to discussions of important matters either as to nature or result of discussion.

Section 82 (s) of The Act requires the Secretary-Treasurer to prepare a monthly statement of moneys received and their desposition and submit it to Council at next meeting. The statements prepared by Mr. Pidgeon are wholly unintelligible and I venture to say that not one single member of the Council was able to understand them. Too many mistakes have been made in mailing cheques to people who were not entitled to them; cheque stubs were destroyed when they should have been kept; correspondence was not promptly attended to and in some cases not at all; letters have been treated as personal and destroyed which should now be on the Municipal files. There is one very noticeable incident of a failure to enter in the record certain promissory notes. The Municipal District purchased a piece of road machinery for Mr. Akins' district in the Fall of 1928. The price was $1260.00, $150.00 cash was paid and notes, which the Secretary would

have to sign, were given for the balance. No entry of them was made until some time in 1929.

Nothing has been brought out in the evidence during the hearing which could in any way reflect unfavourably upon the honesty and integrity of either Mr. or Mrs. Pidgeon in the handling of the funds of the Municipality. In fact each Councillor and other witnesses expressed the utmost confidence in them both as to their personal integrity and honesty. Both however have been careless and inefficient in the performance of their duties to an extent that their services were rendered in a manner prejudicial to the best interests of the Municipality either directly or indirectly through not rendering proper assistance to the Council by keeping the members thereof properly advised as to their statutory duties and properly informed at each Council Meeting of the exact financial standing of the Municipality and the position of all expenditures in relation to the estimates.

(j) Irregularities in connection with the election of certain Councillors on the 28th of February 1931

Elections were held in three divisions with the following results:

| | | |
|---|---|---|
| Division 1 | H. McKinley | 131 |
| " | W.T. Propp | 125 |
| Division 4 | F.J. Francey | Acclamation |
| Division 6 | Reinhold Goerz | 170 |
| " | Peter Kulak | 132 |

Interested parties endeavored to find grounds upon which to protest Goerz' election but were not able to do so. No irregularities in regard thereto were proven before the Commission. McKinley's was not protested. Complaints were made to the Acting Deputy Minister of Municipal Affairs and he sent word to the Secretary-Treasurer to hold the ballot box intact pending an investigation. At the expiration of two months after the election, notwithstanding the above request of which she had knowledge, pursuant to Section 262 of the Act which provides that unless otherwise ordered by a Judge

"The Secretary-Treasurer.....shal.....cause the ballot boxes to be opened and the packets therein to be burned in the presence of t o witnesses." Nothing in my opinion could have prevented her from doing so except a Judge's Order, but she might have given the Deputy Minister an opportunity of getting such Order. That is one case in which she manifested great zeal in doing her duty. From what little material was available I am satisfied that the election so far as the poll was concerned was irregular but honest. Four persons voted who were not entitled to be on the voters' list but their votes would not affect the result of the election. Both candidates seemed satisfied and Mr. Propp the defeated candidate personally thanked Mr. Scott D.R.O. for the fair manner in which the election had been conducted.

(k) Generally such other irregularities or improprieties in the conduct of the business or affairs of said district or of any officer or employee thereof relative to his office or employment with the district which may be alleged or complained of by an Elector of the District;"

Many complaints of a general character other than those elsewhere referred to in this report were brought forward of which mention might be made. One witness complained that the Council refused to pay him certain expenses which he had incurred in attending a school of instruction re Weeds at the Department of Agriculture in Edmonton. He had been recently appointed a Weed Inspector, and the practice was to pay the expenses of an appointee before he started work while attending the school. When the witness returned from the school he found that there was another position available that of Assessor for which tenders were being called. He also discovered that an employee of the Municipality could not occupy two positions and he resigned as Weed Inspector in order that he might have his application for Assessor considered.

He was not appointed. The Council in my opinion were justified in refusing to pay his expenses at the school.

Another witness made a statement that $3400.00 had been paid to six men in connection with road work in one Division. This statement has no foundation in fact.

Another witness complained that he had been improperly dismissed as pound keeper through the influence of Counsillor Kreye. I think he was improperly dismissed but the action of Counsillor Kreye was due to a misconception of the law.

Another witness complained that he could not get his Counsillor to cut away a hill for him. However he went to the Council and "raised a fuss" with the result that the hill was cut away the next year. It is to be regretted that more taxpayers who have had complaints did not avail themselves of the same remedy.

Another taxpayer complained that the Counsillor for his Division always commenced the road work in the end opposite to that to which he lived. That may be so but that is a matter of discretion on the part of the Counsillor. I have no doubt that if the road work was commenced at his end taxpayers at the other end would equally complain. I cannot find that the Counsillor improperly exercised his discretion.

Another witness complained that he had been improperly dismissed as a Weed Inspector. His term of office had expired. He was not dismissed but he was not re-appointed. I do not know of any reason why he should not have been re-appointed.

Another councillor complained that upon the call for tenders for the work of Assessor it was given to Mr._____ who agreed to do the work for $800.00 the amount of his tender. When the work was completed he was given a bonus of $150.00. This was, as explained by the Counsillor, due to the fact that he was required to do additional work which was not in the contemplation of the parties at the time that he was hired. While it is always advisable

to pay only the contract price there are occasions when it may be necessary to pay more and I am not satisfied that the Council acted in bad faith in doing so in this case.

There were some complaints in regard to the location of roads and the expenditure of road moneys but those matters were in the discretion of the Council and there is nothing before me to indicate that the discretion was improperly exercised.

There were also complaints in regard to the failure of the Secretary-Treasurer to answer correspondence, delay in issuing cheques in payment of accounts and other minor matters. In regard to the delay in paying the accounts there is no doubt, if there was a period at the end of 1930 when there was a delay, that that was due to the fact that the Canadian Bank of Commerce had properly refused to finance the Municipality and time was necessary to establish a line of credit with another bank.

Coming now to matters which relate more particularly to the Council; I find in the year 1930 the Council held fifteen meetings for all of which the Councillors were paid. Ten of these were regular meetings and five were special. Three of the special meetings were for Court of Revision and two were for the purpose of changing banking arrangements. The Reeve was paid for fifteen meetings, 4 at $4.00, 4 at $5.00 and 7 at $6.00. The Act permits the Reeve $6.00 per day for meetings up to twelve meetings, and $5.00 per day for extra time spent on District business up to twelve days. No time was paid the Reeve under this last heading. The above information was obtained from the Auditor's report and a letter of the Auditor, McCannel Brothers & Company dated January 21st, 1931, written to the Reeve and Council, calling their attention to over-expenditures. Subsection 2 of Section 61 of the Act provides: "No payment shall be made to any person in respect of more than twelve meetings in any one year." The payment for the extra three meetings was a direct violation of the Act.

At a meeting of the Council on July 7th, 1931, there was placed before the Council a list of schools which finances were to be provided by the Municipal Council. At that meeting the resolution of the Council was passed authorizing the borrowing of $10,000.00 for school purposes", list of schools and requisition are as follows: Then follows a list of fifteen schools. At a meeting of the Council on March 19th, a resolution was passed authorizing the Secretary-Treasurer "to borrow from the Bank of Toronto, the full amount of the sixteen school requisitions as submitted to the Secretary-Treasurer and amounting to $16,602.00." There is nothing in the Minutes to indicate whether or not the resolution of July 7th relates to the same schools referred to in that of March 19th. There is no list of the schools attached in the resolution of March 19th. The amount of the requisitions referred to of July 7th is $15,802.58. It may be that they were unable to borrow the money from the Bank of Toronto and decided to borrow it from the Imperial Bank of Canada and passed the resolution of July 7th without reference to the resolution of March 19th in which event there are two inconsistent resolutions on the Minute Book, an error into which the Secretary-Treasurer has fallen in the past. What I wish particularly now to point out is that the financing of the school districts is left to the Council of the Municipality - (Sections 367-375) - which upon receiving the requisition from the school district for money is bound to provide same. Money may be borrowed for that purpose which borrowing is used for school purposes only and the liability has no connection whatever with that for Municipal purposes. The money to discharge the loan is raised by a tax for school purposes. Subsection 2 of 367 provides: "In any case where the estimate of the board of trustees has not been received before the mailing of the tax notices the council shall upon subsequent receipt of said estimate impose such special rate as will meet the amount of such estimate and shall levy and collect such rate in the same manner as other municipal rates and taxes." This

means that the Council would take the assessment roll in so far as it related to each district, fix the mill rate and levy the tax by resolution and record the same in the Minute Book. I can find no Minute in regard to either resolution authorizing the levy. In my opinion that levy should have been made as the Statute says upon receipt of the estimate or requisition.

We come now to what is practically the most serious matter dealt with during the Inquiry and that is the financial situation of the Municipality and the manner in which its finances have been administered. In this connection the Estimates and levy of taxes generally and more particularly for the years 1930 and 1931 and the expenditures for the year 1930 will be considered as they strikingly show the policy of the councillors in regard to those matters. Section 337 of The Municipal District Act requires the Council as soon as possible in each year to prepared in the prescribed form a detailed estimate of the probable expenditure for the year "for ordinary Municipal purposes", and to "cause a copy of such estimate to be incorporated in the Minutes."

Section 338 provides that the Council shall then, having before it the completed, certified assessment roll "by resolution authorize the Secretary-Treasurer to levy for ordinary municipal purposes upon the assessed value" (lands, improvements and businesses) " a tax at such uniform rate on the dollar as the council deems sufficient to produce the amount of the said estimate, due allowance being made for the amount of taxes which may reasonably be expected to remain unpaid, and for the offset business tax as hereinafter provided for."

Section 339 provides that "such uniform rate of taxation for ordinary municipal purposes shall not exceed two per cent of the assessed value," with a proviso that it may be increased to meet debenture interest or payments to hail insurance districts, with which we are not now concerned.

The above sections clearly contemplate that the purpose of the estimate in the first instance is to enable the Council to determine the amount of the tax levy, and secondly to limit the expenditure to the amount received from current taxes - the failure to recover some of the current years' taxes being taken into consideration in fixing a slightly higher rate - will be sufficient to meet the expenditures of the current year as provided for in the estimate. At the end of the year there should be no debts outstanding against the municipality, or if any, not more than the outstanding taxes of that particular year, which when collected will be sufficient to discharge unless the debt is one which has been created by special statutory authority or under a special by-law upon which the proprietary Electors have voted, or have had an opportunity of voting, in regard to some and does not arise in connection with ordinary current expenditure under the estimate.

But the Legislature realized that while taxes are made due and payable on the First day of January of the year in which they are levied (Section 349), the probabilities were that they would not be paid until some time late on in the year - the liability for the first penalty of five per cent arising on December 15th of the year in which the taxes are levied (Section 350) - it deemed it wise to empower the Council to obtain "temporary loans" to enable it to carry on its work as provided for in the estimates and meet the "ordinary current expenditure" of the municipality for the current year and for that purpose provided in Sections 376, 377 and 378 as follows:

> "376 Whenever the Council is authorized under the provisions of this Act to levy taxation for any purpose (including ordinary current expenditure), it may either before or after the passing of the resolution authorizing the rate of such taxation, by promissory note or notes, under the seal of the municipal district duly attested by the signatures of the reeve and the secretary-treasurer, borrow such sums as the council deems necessary to expend in carrying out such purpose, until such time as the taxes levied therefor can be collected."

"377 The amount so borrowed shall be, by way of additional security, a first charge upon the taxes which are collected for the purpose for which it is borrowed, for the year in which the borrowing takes place, and the municipal district shall retain out of the said taxes a sum sufficient to repay the said amount."

"378 When any such borrowing takes place to meet the current ordinary expenditure of the municipal district, the total amount so borrowed and outstanding shall not exceed sixty per cent of the total taxes levied by the municipal district to meet such expenditure."

These sections clearly indicate that the Council has power to obtain temporary loans each year in anticipation of the current year's taxes, only to the extent that may be necessary to carry on the business of the municipality as set forth in the estimates for that year in which the borrowing takes place and upon which the mill rate was struck and the tax levied. They also contemplate that the loan being of a "temporary" nature will be repaid out of that year's taxes, and with that end in view have made "the amount so borrowed" a first charge upon the taxes which are collected for the purpose for which it is borrowed for the year in which the borrowing takes place; that is for the ordinary current expenditure of the year.

Another indication of what is contemplated by the sections and as to what is meant by a temporary loan, it is provided in regard to "the amount so borrowed" that "the Municipal District shall retain out of the said taxes a sum sufficient to repay the said amount." This clearly shows that the period of the loan is not to be an indefinite one extending over a period of years but is limited to a period commencing with the date of the loan and ending at the time when sufficient taxes have come into the hands of the Secretary-Treasurer out of the current year's taxes - that is the year in which the loan was obtained - and the promissory note or notes given to secure the loan should

be timed accordingly.

It should also be observed that when the current year's taxes come into the hands of the Secretary-Treasurer they are, to the extent to which they have been borrowed against subject to a first charge in favour of the lender of the amount borrowed and are not the funds of the Municipality to be paid out, or expended, by the Council for other purposes. They are impressed with a trust; the Municipality is a trustee of same for the purpose of discharging a specific obligation, and if the obligation has not matured and there is no privilege of reducing the liability as the taxes come in, they should be placed in a special account until sufficient has been received to discharge the amount or amounts borrowed.

That the Legislature was jealous to guard the taxpayers against the imposition of heavy financial burdens is perfectly evident from the general tenor of the Act in regard to expenditures. For example, under Sections 93, 94 and 95 the Council may pass a by-law authorizing the purchase, lease or other acquisition of land for certain specified purposes, the erection or improvement of Municipal buildings, exhibition and recreation grounds, etc., but the expenditure or liability made or incurred in any one year shall not exceed $1000.00 until a debenture by-law has been submitted to and voted upon by the proprietary electors as provided for by part IX (Secs. 380-410). There are other sections of a similar nature.

Having in mind the above observations in regard to the purpose of estimates - as to their preparation I will have something to say later on - and the limitations placed upon the Council's authority to procure temporary loans by the above quoted sections of the Statute, which must have been known to the Secretary-Treasurer and all members of the Council, it is somewhat surprising to find in the Minute Book a resolution of the Council

passed at its meeting on November 6th, 1930, as follows:

"Re Loan of $5000.00 over and above 60% of last year's levy

Moved by Mr. Kreye that the Reeve and Secretary Treasurer make application to The Canadian Bank of Commerce, Stony Plain, for an additional loan of $5000.00 over and above 60% of last year's levy. This additional amount of $5,000.00 is required to pay off accounts such as road work and current monthly expenses. Carried.

Moved by Mr. Akins that in the event of the Reeve and Secretary-Treasurer being unable to negotiate this loan with The Canadian Bank of Commerce that a committee composed of the Reeve, Secretary-Treasurer and C.W. Akins be hereby appointed to interview any other chartered bank in Edmonton with a view to securing the loan. Carried unam."

Just why the Council decided to ask for $5000.00 over the 60% of 1929, when the money was required for the 1930 accounts does not appear. The fact is however, that the Municipality was then indebted to The Canadian Bank of Commerce in a sum approximately equal to that which it would be entitled to borrow against the 1930 levy (whether properly borrowed or not) and in open defiance of the provisions of Section 378 of The Act which limited their power to borrow to 60% of the levy of 1930. The Canadian Bank of Commerce, through its manager Mr. Yeats, refused to advance the money, and quite properly so.

A committee of the Council then waited upon The Bank of Toronto Edmonton Branch, and succeeded in negotiating a line of credit for 1930 for $22,500.00 to be used as follows: "Approximately $15,000.00 to pay off our loan to The Canadian Bank of Commerce, Stony Plain, and the balance to be used as the Council sees fit"; and on December 11th the Council passed a resolution authorizing a transfer of its bank account accordingly.

But even the Bank of Toronto was unable to satisfy the borrowing appetites of the Council and at a Council meeting held on July 7th 1931, it was moved by Mr. Kreye, the motion appointing The Bank of Toronto "be rescinded on account of our present banking accommodations not being satisfactory" which was carried.

At the last Session of the Legislature, Sec. 378 (supra) was repealed and the following which increased the borrowing power from 60% to 100% of the current levy and included expenditure for hospitals with current expenditure, was enacted (1931) Statutes of Alberta, Chap. 51, Sec. 12) which is as follows:

> "378 When any such borrowing takes place to meet the current expenditure of the Municipal District, including expenditures for hospital purposes, the total amount so borrowed and outstanding shall not exceed the total taxes levied by the Municipal District on account of such taxes for such purposes."

Subsequent to the enactment of the above Section, at a meeting of Council, a resolution was passed authorizing the borrowing of $30,000.00 from The Imperial Bank of Canada as against a levy of $32,400.00 for the current year 1931. The rate of interest is 7% payable monthly. The money was not actually borrowed but a line of credit for that amount was established and the banking account of the municipality is now with that bank. What the subsequent history of their dealings with The Imperial Bank of Canada will be I am not in a position to say, but I am satisfied that if the Council follows the path which it has pursued in the past of successive and unauthorized expenditures it will have ere long to seek other more satisfactory accommodation. The necessity of the Municipality having to transact its banking business with three different banks in less than a year is strong condemnation of the administration of the financial affairs of the Municipal District of Inga by its Council and its Secretary-Treasurer. Had the Council prepared its estimates with care, confined its expenditures to the estimates, and limited its borrowings in strict compliance with the provisions of the Act above recited, I am satisfied that there would be no necessity for change of banking institutions in which to transact their business and instead of a liability of $31,000.00 to the Bank at the end of 1930 the Municipality would be free of debt.

The Bank loan of $21,000.00 has in my opinion long since ceased to be a temporary loan, if it or any part of it ever was that within the meaning of the Act. It looks more like a debenture loan from its dimensions and age and duration of time that will be necessary in which to pay it off, which latter will depend entirely upon the diligence with which arrears of taxes are collected and current annual expenditures are curtailed. It lacks the formalities of a debenture. It is just simply a debt incurred to cover excessive and unauthorized expenditures and the Council had no authority whatever to contract any such debt.

As already pointed out, a detailed estimate for any year must be prepared as soon as practicable in the year in the prescribed form (Sec. 337). The prescribed form is that prepared by the Department of Municipal Affairs, a copy of which is here appended as Schedule "A". This is very incomplete in its detail, yet so very simple in form and indicates with such clarity what items should be included in the year's programme of expenditure that there should not be the slightest difficulty in preparing the annual estimates. The form is applicable to both estimated expenditure and estimated revenue and affixed at the bottom is a draft form of resolution authorizing the tax levy. This form of resolution is preceded by two recitals one as to estimated expenditure and one as to assessment roll. This estimate in the prescribed form is a general estimate and the estimates for expenditure may be divided into two classes (1) All items which relate to matters other than public works and (2) items which relate to public works, i.e., Labour, machinery, material,repairs, surveys, purchase of road allowance, Workmens Compensation Board and Councillors' fees (Road Supervision). The resolution of the Council authorising the levy based upon the estimate is in substance an appropriation of the various amounts to be expended in regard to the several items and an authorization for expenditure by the Council of these particular

amounts and no more, with the exception of the appropriation and expenditures in connection with Public Works, as to which the adoption of the estimates as a whole means nothing more than that the tax levy makes provision for the estimated amount to be expended on public works. That amount is available for such purpose only when the requirements of the Statute in regard to expenditure on public works have been fully complied with and further resolutions have been passed by the Council authorizing a distribution amongst, and expenditure in the several divisions of the Municipality as provided for by Section 65.

As to the general estimates, I have been unable to find in the Minute Book a copy of any such estimates incorporated in the Minute Book as required by Section 337 which comply with the requirements of the prescribed form; in some years there are none at all; in some a half hearted attempt is made to prepare estimates but they lack the details required, while in others no details are given at all, particularly in the estimates for the year 1931 with which I purpose to deal specifically. The best attempt to prepare estimates was in the year 1930, in which year the disregard of estimates in making expenditures was most flagrant and wilful. The amount to be expended was limited, as I have said before, by the amount of the estimate.

The utter lack of any proper relation between estimates and expenditures, that is that the one should equal the other - in any event expenditures should never exceed the estimates - for the year 1930 can best be shown by setting forth both in detail, the expenditures being represented by payments from which must be deducted the outstanding liabilities carried over from the year 1929, and to which must be added the liabilities outstanding as of December 31st, 1930, and carried forward to the year 1931. The estimates are taken from the Minutes of a meeting of Council held at Stony Plain on April 10th 1930, and the expenditures from the Auditor's report for

that year and are as follows:-

| | ESTIMATES | PAYMENTS |
|---|---|---|
| Administration and General Expenses | | |
| Salaries: Secretary-Treas. | $1500.00 | $1628.00 |
| Auditor | 150.00 | 150.00 |
| Assessor | -------- | 150.00 |
| Bond | -------- | 20.00 |
| Election expenses | 100.00 | 75.58 |
| Legal expenses | -------- | 200.00 |
| Printing | 100.00 | |
| Postage | 100.00 | |
| Stationery | 150.00 (P.P.& S combined) | 369.90 |
| Office Expense | | 39.00 |
| Insurance | 7.50 | 7.50 |
| Telephone | | 51.65 |
| Delegates expenses | | 36.10 |
| Council fees (meetings) | 330.00 | 628.50 |
| Interest on loans | 400.00 | 1336.28 |
| Rent one meeting | 15.00 | $4692.51 |
| | $2,852.50 | |

| | | | | |
|---|---|---|---|---|
| Brought Forward | | | $2852.50 | $4692.51 |
| Protection of Property: | | | | |
| Inspectors | 600.00 | | 436.30 | |
| Expenses | 25. 00 | | 126.04 | |
| Pests and weeds | ------ | | 96.42 | |
| | ------ | | 625.00 | 658.76 |
| Grants, aid and relief and health donations | | | | |
| Mother's Allowance | 600.00 | | 357.50 | |
| Aid & Relief | 900.00 | | 1041.70 | |
| Salvation Army | 100.00 | | | |
| Hospital and Sanitary Charges | ------ | | 137.50 | |
| | | | 68.00 | |
| Medical Health Office | 50.00 | | 52.21 | |
| Old age pensions | ------ | | | |
| | ------ | | 1650.00 | 1656.91 |
| Public Works: | | | | |
| (No specific details as required) | | | | |
| From Municipal taxes | 16183.00 | Labor | 32582.51 | |
| (Gov. Grant Capital | 5000.00 | Mac. & Repairs | 213.60 | |
| " " Income | 2045.00 | Material | 1250.96 | |
| Surveys | 100.00 | | 455.00 | |
| Road Allowance | 180.00 | | 954.01 | |
| Work. Comp. Board | 100.00 | | 133.90 | |
| Councillors fees (Rd. Supervision) | ------ | | 534.52 | |
| Notices re roads | ------ | | 29.00 | |
| Damage to Meadow | ------ | | 84.00 | 36237.50 |
| | $23608.00 | | | |
| Sundry outlay Taxes and repair | | | 53.95 | 53.95 |

| SUMMARY | Estimates | payments |
|---|---|---|
| Administration & General | 2852.50 | 4692.51 |
| Protection of property | 625.00 | 657.76 |
| Grants, aid, etc. | 1650.00 | 1656.91 |
| Public Works (including Govt. Grants) | 23608.00 | 36237.50 |
| Sundry outlay | | 53.95 |
| | $28735.50 | $43298.63 |

From these payments must be deducted payments which were made on account of liabilities for the year 1929 as follows

Dec. 31st, 1929, Outstanding accounts 1356.43

which would leave payments made on account of 1930 expenditures

| | |
|---|---|
| Payments | 43298.63 |
| Less Liabilities 1929 | 1356.43 |
| Net payments 1930 | $41942.20 |

to which must be added in order to determine the expenditures for 1930, the accounts payable.

| | | |
|---|---|---|
| Dec. 31, 1930 | Net Payments | $41942.20 |
| | Accounts payable | 6174.68 |
| " " " | Total Expenditure | $48116.88 |

Comparing the estimates with expenditures for the year:

| | |
|---|---|
| Expenditures | 48116.88 |
| Estimates | 28735.50 |
| Difference | 19381.38 |

I find the former exceed the latter by $19,381.38, in fact, the figures show that expenditures were made without regard to the annual estimate and they bear no proper relation to each other at all, the difference representing an excessive and unauthorized overexpenditure. Not only in regard to the estimate is it excessive but also in regard to the tax levy for the year (twenty mills, the maximum that could be levied (Sec.339), on an

assessment of $1,452.485.00) of $29,049.70.

The above figures are in themselves a striking commentary on the financial administration of the Municipality for the year and may be summarized as follows:

| | |
|---|---|
| Estimate | $28,735.50 |
| Tax Levy | $29,049.70 |
| Expenditure | $48,116.88 |

---

| | |
|---|---|
| Excess of Expenditures over Estimates | $19,381.38 |
| " " " " Tax Levy | 19,067.18 |
| " " " " Tax Levy and Government Grant combined | 12,022.18 |

The greater portion of the expenditure took place in connection with public works, as to which there was chargeable against the tax levy the balance as shown below:

| | | |
|---|---|---|
| Payments | $36,237.50 | |
| Outstanding accounts December 31, 1930 | 4,837.72 | |
| Total | | $41,075.22 |
| Less accounts carried over from 1929 | 282.04 | |
| and Government Grants | 7,045.00 | 7,327.04 |
| Balance chargeable against tax levy | | $33,748.18 |

That is the Council spent on public works alone $4698.48 more than the total tax levy for the year and $16,301.66 more than the amount included in the estimate.

It is of interest to note in this connection the over and under expenditures in relation to the amount allocated to each Division for a period of nine years, 1923 to 1930 inclusive are as follows:

| Councillor | Division | Over Expenditure | Under Expenditure |
|---|---|---|---|
| McKinley | 1 | 2282.21 | 495.16 |
| Shaw (1923-25) | 2 | Nil | 531.00 |
| Kreye (1925/30) | | 2786.96 | 776.49 |
| Tattersall 1923-27 | 3 | 189.34 | 917.27 |
| Akins 1928-30 | | 3360.01 | Nil |
| Hopkins 1923-28 | 4 | 796.03 | 681.52 |
| Francey 1928-30 | | 1914.56 | Nil |
| Howat | 5 | 3411.94 | 735.87 |
| Goerz | 6 | 6133.39 | 1336.68 |
| | | $20,874.44 | $5473.99 |

The above items deal with over and under expenditures for labor only and are either in excess of or less than, as the case may be, the total amounts appropriated for public works as a whole including in addition to labor materials, machinery, surveys, repairs, purchase of road allowance, Workmen's Compensation and Councillors' fees for supervision during that period.

I have not these items for the full period but payments for such items for three years were as shown by the auditors' statement:

| | | |
|---|---|---|
| 1928 | $4822.08 | |
| 1929 | 2244.76 | |
| 1930 | 2190.43 | $9257.27 |

As to expenditures generally on public works, the passing of the estimate for the year, even though an amount for such work be included in it is not as I have pointed out an authorization for such expenditure. The authorization for such expenditures is to be found in Section 65 of The Act which reads as follows:

"(1) Immediately after the preparation of the estimates the councillor allocated to an area or representing an electoral division, as the case may be, shall inspect such area or electoral division and shall recommend what works of a public nature should be undertaken in such area or division, and the amount which it is advisable to expend thereon.

(2) Such recommendation shall be in Form B of the schedule hereto.

(3) At least fifty per cent (or such lesser percentage as may be determined by a unanimous vote of the council) of the total estimated expenditure upon public works shall be distributed amongst the divisions or areas in proportion to the amount of taxes to be levied thereon, respectively.

(4)Except in the case of sudden and urgent necessity, no public work shall be undertaken or expense incurred in connection therewith until the recommendation hereinbefore provided for has been approved by resolution of the council.

(5)No grant of funds by the Province to a municipal district, to be expended on public works therein, shall be disbursed until a similar recommendation has been made and approved by the council, unless it is otherwise directed by the Province in making the grant."

A copy of Form "B" referred to in subsection (2) is appended to this report as Schedule "B".

The language of each subsection of this section is so simple and plain, clear and unambiguous that no one need have any misunderstanding as to its meaning. Subsection 1 says that each councillor shall have a division or area assigned to him; that he shall inspect that district; that he shall recommend what public works should be undertaken in that district. Then under subsection 2 his recommendation must be in writing in Form "B" which provides for particulars as to location of work, amount to be expended and location. Under the heading "Nature of work" must be shown the particulars of work to be done such as building of new roads, maintenance or repair of old roads, bridges, culverts, machinery, material, etc. Upon

receipt of the recommendation the Council as a body consider it and may increase or decrease the amounts in which case the increase or decrease must be in regard to particular pieces of work and not by deducting a percentage from the total of the recommendation.

As an example of this reference may be made to Form "B" for Division 2 in 1930. The total recommended was $4,845.00 from which was deducted 45% without any reference whatever as to what particular work was to be reduced or abandoned. Of course it takes time, care and patience to examine closely the details, but this should be done.

The recommendation having been approved or amended the council then should pass the necessary resolution approving of same, whereupon and not before the councillor is authorized to proceed with the expenditure of the authorized amount and no more. Subsection 4 is prohibitive. It says that "Except in case of sudden and urgent necessity, no public work shall be undertaken or expense incurred in connection therewith" until such recommendation is approved as provided for. That subsection means just exactly what it says and the Legislature in order that councillors would govern themselves accordingly provided a severe penalty for those who violated the prohibition in addition to making them civilly liable for money spent on public works without strict compliance with the provisions of Section 65. The penalty and civil liability is set forth in Section 426 which reads as follows:

> "426 Any member of a council who spends or authorizes the expenditure of any funds of the municipal district upon or with respect to any public work in the municipal district or for the supplying of any material or labor for such work, unless he has first been empowered to do so by by-law or resolution of the said council, shall for every offence, in addition to being liable for a civil action instituted against him by the municipal district or any ratepayer thereof, be liable upon conviction to a fine of not less than $10.00 nor more than $100.00 and costs, and in default of payment to imprisonment for a term not exceeding two months;
>
> Provided that a councillor shall not be liable under this Section for authorizing work of an emergent nature which is subsequently ratified by the council."

This section also is clear and unambiguous and means just what it says.

The council has proceeded with an utter disregard as to Form "B" in the expenditure of the Municipality money. In fact they have done so in a wholly illegal manner and wilful defiance of Section 65 of the Statute a section which has for its very purpose the avoidance of what has happened in this Municipality the making of unauthorized expenditure. There is no power in the Council to ratify an unauthorized expenditure after it has been made. That can become only in cases of urgent necessity, which does not apply to the expenditures made by this Council for many years past.

Their position cannot be legally or morally justified. Neither can they plead in justification lack of experience or ignorance of the provisions of Section 65. Some members of the Council have been in office for nine years and none less than three. Legally every man is supposed to know the law. Each one does in fact, and for some time has known the provisions of Section 65 and the requirements as to filing with the Council Form "B".

Deputy Minister Spence, Acting Deputy Minister English, the auditors, William Best and McCannel Brothers, and Mr. Renshaw, the Municipal Inspector, each and every one of them has directed their attention to the requirements of the Act in this regard. As far back as August 2nd, 1928, Mr. Spence, Deputy Minister of Municipal Affairs wrote to the Secretary-Treasurer calling attention to the concompliance with the provisions of Section 65. The letter reads as follows:

"Mr. English, my Assistant, has reported to me that, during a recent visit to your office, he found, generally speaking, the members of your Council have not complied with the provisions of Section 65, subsection 1 of the Municipal District Act, and have not submitted their recommendations in regard to proposed expenditures for public works in Form B of the schedule to the Act.

It is unnecessary for me to point out to the members of the Council that each councillor who does not comply with these provisions, renders himself liable to the penalties set out in Section 426 of the Act, and I cannot too strongly emphasize the necessity for having these forms submitted to the council and duly approved.

I am, therefore, compelled to direct that you notify the members of the council at the next meeting that these forms must be submitted, the work approved, and that in the meantime, until such approval is recorded on the Minutes, you defer issuing any cheques in payment of payrolls. This will confirm verbal instructions given you by Mr. English on the occasion of the visit above referred to.

It is just possible that some of the members of your council have overlooked this requirement, and will give the matter attention when this letter is placed before the council for consideration, and I trust there will be no further cause for complaint."

What clearer indication could any Council have in regard to their duty in connection with expenditures on public works.

In addition to the letter Mr. Spence took the trouble to attend their council meeting about two weeks later on August 17th at Stony Plain when he discussed the matter with them. All the present councillors were present with the exception of Mr. Francey who was not then a councillor. After Mr. Spence left the meeting the council passed the following resolution, referring to The Deputy Minister's letter of August 2nd:

> "Moved by Mr. Howatt that this letter be tabled as Mr. Spence, Deputy Minister, was present at the meeting and went over the matter in detail."

There is nothing in the Minutes to indicate what they decided to do as a result of the letter or the Deputy Minister's statements. They just tabled the letter. In the light of subsequent events I can only conclude that they decided to ignore his letter and advice and continue doing as they had done in the past, totally disregarding the provisions of Section 65. They have done so up to and including the year 1931.

There is no evidence to indicate to me that in any one year from 1923 to the present time the provisions in regard to expenditures on public works as set forth in Section 65 were complied with.

In regard to the over expenditure on public works for labour alone there was a controversy at the last annual meeting of ratepayers as to the correctness of the Auditors' Report which showed the expenditure for that item to be as follows:-

| | Allocated | Labour Only | Overexpended |
|---|---|---|---|
| Div. 1 McKinley | $5,422.00 | $ 6,394.12 | $ 972.12 |
| Div. 2 Kreye | 4,320.00 | 6,003.22 | 1,683.22 |
| Div. 3 Akins | 3,102.00 | 4,991.26 | 1,889.26 |
| Div. 4 Francey | 3,081.00 | 4,805.69 | 1,724.69 |
| Div. 5 Howatt | 3,382.00 | 4,158.48 | 776.48 |
| Div. 6 Goerz | 5,922.00 | 7,169.37 | 3,247.37 |
| | $23,829.00 | $33,522.14 | $10,293.14 |

The taxpayers were critical but the councillors insisted that the auditor had not had called to his attention a resolution passed by council on December 17th, 1929, as follows:

" Re Government Grant.

Moved by Mr. Akins that this District meet the Government Grant for 1930 out of the general account."

The Government Grant was $7045.00 so that resolution would mean that the 1929 council - all of whom for some reason or other might have been out of office in 1930 - were anticipating the estimate for the next year which they had no power to do, even if the next year's council was composed of the same members. It was really an appropriation for road work to be done in 1930, which could be made only in 1930, as Section 337 says: "The Council shall as soon as practical in each year prepare " the estimates. Each year's council must prepare its own estimates.

Again there was nothing provided for in the general revenue for 1930 to cover it. The 1930 estimates made no mention of this additional amount of $7045.00 to meet Government grant.

The suplus of tax levy over estimate for the year was $314.20. The Council never provided for the $7045.00 in the 1930 estimate, due no doubt to the fact that no money would be available under the tax levy assuming all the taxes were collected. It is impossible to make a general revenue surplus of $314.20 cover an expenditure of $7045.00. At the Councillors' request the auditor filed a Supplementary Statement which showed what the expenditure in

regard to the allocation would be, assuming their contention to be correct, under which the overexpenditure appears to be much less. The first statement was correct and the overexpenditure as stated therein. It is suggested that the Council was misled by the resolution of 1929. Perhaps they were. They should not have been if they and the Secretary-Treasurer had paid proper attention to the preparation of their estimates.

Another practice which was in vogue at one time as appears from the Minutes is that of carrying over and under-expenditure from one year to the next, for example, if a councillor overexpends in 1929 the amount overexpended will be deducted from his 1930 allocation after the allocation is made, while if another underspends the amount underspent will be added on to his allocation. There is no justification for that practice. The estimates are for the year. They are practically appropriations for the year in which they are made and the money to be expended in connection therewith is to be expended in that year and not after. Such a practice as that above indicated could only end in hopeless confusion.

Having in mind the policy of the council as to disregard of estimates and statutory limitations upon expenditures it is of interest to note what the financial position as to liabilities at the end of 1930 was.

The Inga Municipal District should be in a sound financial position and free from debt as it includes within its area some of the best settled districts in the Province of Alberta, is composed in a large part of good arable and cultivated land and its settlers are for the most part industrious, progressive farmers capable of paying their taxes.

Its financial position however is far from satisfactory due to the failure to enforce payment of taxes and excessive and unauthorized expenditures on the part of the Council.

At the close of each year up to 1927 the municipality was so far as bank loans were concerned free from debt, their only liabilities being the current accounts outstanding. In that year the District became indebted to the Canadian Bank of Commerce at Stony Plain and on the 31st of December of that year there was a balance owing to the Bank of approximately $2,000.00. From that time on up to the 31st of December, 1930, the liability to the Bank, to say nothing of the current liabilities, had increased in 1928 to $4,000.00, 1929 to $15,000.00 and 1930 to $21,000.00 with the result that the Canadian Bank of Commerce refused in the year 1930 to advance more money, and in my opinion quite properly so. The exact indebtedness at the end of the year is shown by the following statement:

On December 31st, 1929, the outstanding liabilities of the District for Municipal purposes were as follows:

| | | |
|---|---|---|
| Municipal loans | $15,000.00 | |
| Outstanding cheques | 483.52 | |
| Accounts payable | 1,356.43 | $16,839.95 |
| for the payment of which there was apart from arrears of taxes available at that date | | |
| Cash Bank Balance | 2,867.33 | |
| " on hand | 389.90 | |
| Accounts receivable | 38.77 | 3,291.00 |
| leaving a net liability of - | | $13,548.95 |

to meet which there were outstanding arrears of municipal

| | |
|---|---|
| taxes (including forfeited lands) | $32,005.08 |
| Pests and weeds | 37.00 |
| | $32,042.08 |

On December 31st, 1930, the outstanding liabilities were

| | | |
|---|---|---|
| Municipal loans | $21,000.00 | |
| Outstanding cheques | 2,007.26 | |
| Accounts payable | 6,174.68 | $29,181.94 |

for the payment of which there was apart from arrears of taxes

| | | |
|---|---|---|
| Cash - Bank Balance | 3,185.27 | |
| " on hand | 230.29 | |
| Accounts receivable | 305.68 | $3,721.24 |
| Leaving a net liability of - | | $25,460.70 |

to meet which there were outstanding arrears of municipal taxes $31,860.80

From the above figures it will be seen that the net debt during the year 1930 increased.

| | | |
|---|---|---|
| Dec. 31st, 1930 | Net debt | $25,460.70 |
| " " 1929 | " " | 13,548.95 |
| | Increase 1930 | $11,911.75 |

While the arrears of taxes decreased:

| | |
|---|---|
| Dec. 31st, 1929 | $32,042.08 |
| " " 1930 | $31,860.80 |
| Decrease 1930 | 181.28 |

The only asset which the Municipality will have from arrears of taxes if they are collected and applied in payment of the outstanding liability will be:

| | | |
|---|---|---|
| Dec. 31st, 1930 | Arrears of Taxes | $31,860.80 |
| " " " | Liabilities | 25,460.70 |
| | Balance - | 6,400.10 |

unless there is a heavy curtailment on current expenditures commencing with the year 1931 and continuing thereafter. Even that small surplus will soon be exhausted if the policy adopted by the council as to expenditure is continued.

I have set forth the above statements to indicate to the Taxpayers of the district that unless these excessive and unauthorized expenditures are checked the municipality will in a very short time find itself in an insolvent position in the sense that it will not be able to meet its obligations as they become due.

After the annual meeting of the District which was held at Stony Plain on Saturday, February the 21st, 1931, the council evidently became alarmed in regard to the financial conditition of the Municipality and at the first meeting of the council held at Stony Plain on March 13th it was moved by Mr. Howatt and unanimously carried:

> "That this council hold a special council meeting at Duffield on Thursday, March 19th at 10:00 a.m. for the discussion of our present financial condition in detail and matters pertaining to our 1931 tax."

This Meeting was held and there is nothing in the Minutes to indicate to what extent their financial condition was discussed, the only memorandum in regard to the discussion being "Discussion of the present financial condition of this M.D." After the discussion they proceed to make up their estimates for the financial year January first to December 31st, 1931, and to strike a mill rate for the tax levy of that year. The only records in the Minutes in regard to those items are as follows:

ESTIMATE OF EXPENDITURES

| | |
|---|---|
| "Outstanding Accounts | $6700.00 |
| to meet General account | 8000.00 |
| To meet Government Grant | 8000.00 |
| Reserve for Bank Loans | 6000.00 |
| Allocate to Divisions for Public Works | 4000.00 |
| Total - | $32,700.00 |

In lieu of the above estimates it was moved that the Secretary Treasurer (moved By Mr.,Howatt) make a levy of 18 mills to cover the above estimates for 1931.

Carried
Contrary McKinley."

There is nothing whatever in the Minutes to indicate although there should have been, what the assessment was for the year or to indicate that the assessment roll had been completed. From other sources I have ascertained that it was $1,910.000. an increase of $457,595.00 over the previous year which would yield a tax revenue for the year of $32,400.00.

Other matters, mostly minor, such as wages to be paid, councillors' fees, mileage, dragging of roads, secretary's salaries, resolution as to who should carry on all banking business, a resolution authorizing the borrowing of $16,602.00 for school purposes, resolution authorizing the payment of time sheets and bills, councillors' fees and mileage were dealt with. The estimate of expenditure having in mind the provisions of Section 337 of the Act which requires that:

> "The Council shall as soon as practical in each year prepare in the prescribed form a detailed estimate of the probable expenditure of the Municipal District for the year for ordinary municipal expenses and shall cause a copy of such estimate to be incorporated in the Minutes."

and the particulars required by the prescribed form prepared and authorized by the Department of Municipal Affairs, is nothing short of a disgrace indicating on the part of the Secretary-Treasurer and the Council a determination to perpetuate the disregard of instructions and the provisions of the Statute which had so frequently characterized the performance of their duties in the past. Nothing was considered as to the details to be expended on public works at this meeting. It will be noted that an appropriation out of municipal revenue was made for public works to meet an assumed Government Grant of $8000.00 and an allocation for the Municipality as a whole irrespective of divisions for public works of $4000.00 out of Municipal revenue also, making a total of $12,000.00. The Government grant for the year was then unknown but subsequently found to be only $3,980.00 instead of $8000.00. The details for public works were allegedly dealt with at a meeting of the council held at Stony Plain on the 5th of June 1931, and the action of the council in regard thereto is contained in the following minutes:

" Appropriations for the year 1931

The following appropriations agreed upon for the respective divisions:-

| | 40% of the Current Levy | plus | Government Grant | |
|---|---|---|---|---|
| Division 1 | $3830.00 | plus | $1000.00 | $4830.00 |
| Division 2 | 1920.00 | " | 660.00 | 2580.00 |
| Division 3 | 1030.00 | " | 660.00 | 1690.00 |
| Division 4 | 1184.00 | " | 660.00 | 1844.00 |
| Division 5 | 2065.00 | " | 1000.00 | 3065.00 |
| Division 6 | 2600.00 | " | | 2600.00 |
| | $12629.00 | | 3980.00 | $16609.00 |

Not one single councillor had filed his recommendations setting forth the amount required and the purpose for which it should be expended, that is whether labor, material, machinery, repairs to machinery, etc., in the form "B" as required by Section 65 1 and 2 of the Statute as to which more will be said later.

The council and the Secretary-Treasurer again showed their utter disregard of instructions and requests received from the Deputy Minister Mr. W.D. Spence, the Acting Deputy Minister (now Deputy), Mr. R. English, the auditors during their respective terms of office, Mr. William Rest and McCannel Brothers and the Inspector of Municipal offices, Mr. Renshaw, in regard to estimates and over-expenditures. They also show an utter disregard and defiance of the terms of the Statute subsection 4 section65 particularly, which provides that:

> "Except in the case of sudden and urgent necessity no public work shall be undertaken or expense incurred in connection therewith....."

until such recommendations have been approved of by resolution of the Council. It is very interesting to note that notwithstanding no councillor up till early in September of this year filed his recommendations as required by the Statute in Form "B" and had never received any authority by resolution of the council to expend any money, the councillors went ahead and spent money so freely that the Secretary-Treasurer estimates that there will be an overexpenditure again in 1931 of approximately $2,000.00.

At the same meeting at which they made their incomplete and unauthorized appropriation for expenditures on public works they passed a resolution authorizing the payment of amounts set forth in the time sheets for work which had been done previously and without authority by the direction of the councillor in each one of the six divisions. It is very difficult to conceive of more wilful or flagrant violation of the Statute by any six men than that which has taken place in regard to estimates or appropriation and expenditures of the municipality's funds in this district during the year 1931.

The estimates for 1931 show an indication on the part of the council to retrench, but councillors have in some divisions overexpended their appropriation for the year. Retrenchment and overexpenditure do not fit in well with each other.

It is advisable to draw attention also to the uncollected taxes. The amount uncollected and outstanding at the end of the year 1931 was $31,860.80. This amount in my opinion is altogether too large being in excess of the annual taxation for the year and very slightly under the taxation for the year 1931. While excessive expenditures impair the credit of the Municipality and perhaps the credit of the ratepayers, unquestionably heavy arrears of taxes impair the credit of both. They indicate loose methods in the enforcement of tax collection. They impair indirectly the credit of the ratepayers in the district especially if they desire to borrow money from loan companies or other financial institutions, as lenders of money do not desire mortgage securities in districts in which the council is delinquent in the collection of taxes as they never know when they may be confronted with a large bill for taxes which takes precedence over their loan, thereby impairing their security. Ample machinery has been provided for tax collection. They may be recovered under The Tax Recovery Act; they may be

recovered by distress or they may be recovered in an action. It is quite true that there may be some special cases in which it work a hardship to enforce payment of taxes, but this district I understand is one of the best off insofar as the individual taxpayers' ability to meet these obligations is concerned. I would suggest that the machinery for collection of taxes be set in motion at the earliest possible moment in order that the Municipality may liquidate its liabilities and thereby, in conjunction with a curtailment of its expenditures, relieve the burden of taxation.

A few general observations in regard to the legal machinery relative to self government in rural municipal districts might be made, which would be applicable to the district under consideration as well others, in our Statutes. I refer to The Municipal District Act 1926, Statutes of Alberta, Chap. 41 and The Department of Municipal Affairs Act 1922, Revised Statutes of Alberta, Chap. 17.

The Municipal District Act with which your Commissioner is now much more familiar than when this investigation was commenced is in his opinion a splendid piece of legislation and reflects great credit upon Deputy Minister English who I understand was largely responsible for its drafting. It gives self government to municipal districts to a degree sufficient to enable the proprietary electors in the district to regulate and control through their elected representatives to the Council very many matters which directly affect themselves whether they be of a proprietary or social nature. The rights and powers of self government being delegated to the municipality by the Provincial Legislature are of course of a limited nature, but the limitations of these rights and powers are clearly defined. The exercise of these rights and powers on behalf of the ratepayers is from time to time vested in councillors who in turn are limited in

the exercise of those rights and powers on behalf of the electors whom they represent by express statutory provisions which are clear and definite. So that with proper guidance from an intelligent and well informed secretary-treasurer no council in the exercise of its powers need go beyond the limits of the statutory provisions in the Act unless the members of the Council wilfully disregard such statutory limitations. The Statute does not enable the council to delegate its authority in regard to any particular division to any councillor. A councillor may be elected by the voters of a particular division but once elected he is a representative for the whole of the municipality and his acts in regard to matters arising in his division must be acts done under the authority of the council as a whole. The council acts as a body and not as separate individuals.

The Department of Municipal Affairs Act is not, as some of the ratepayers seem to think, a paternal institution. It is just the opposite. The Legislature having given the Municipality a limited degree of self government it has provided machinery by which it can see that the government of the municipality is being carried on along proper lines. Drastic powers in some instances are given to the Minister of Municipalities, but he is bound to exercise these powers "in the manner calculated best to protect and further the interests of the Municipality."

The Department of Municipal Affairs is not a part of a dual system of Municipal government. It has nothing to do with the substance of government but only with the manner in which the Government is carried on having regard to the provisions of The Municipal District Act. The Department exercises supervisory and advisory powers, not governmental . Delegations, judging from the evidence, are of the opinion that the officers of the Department constitute a sort of second council to adjust grievances which they have against the council. Such is not the case. No ratepayer should be allowed to take his grievances to the Departmental officials until he has first taken

them up with his division councillor, and failing satisfaction there, then with the council as a whole. He may also appeal to electors in annual meeting. Only matters of major importance and those which relate to improper administration on the part of the council or any councillor or any employee of the Municipality should be referred to the Department.

As to the exercise of drastic powers by the Minister Section 15 of the Act provides:

> "(1) If the report of an inspector discloses or if at any time there is disclosed such a condition of affairs in any municipality as in the opinion of the Minister requires summary action by the council of such municipality or by any officer thereof with respect to any matter or matters and such action is not taken, the Minister shall deal with such matter or matters in the manner calculated best to protect and further the interests of the municipality, and for that purpose may dismiss the whole council or any member or members or any officer thereof.
>
> (2) In the event of the dismissal of the whole council in any such case the Minister may appoint in its place an official administrator who shall have all the powers belonging to the council; or may direct the creation of a new council under the provisions of the appropriate Act relating to the filling of vacancies in a council."

In view of the financial condition of the Municipal District of Inga No. 520 which has been brought about by the council of the District, and in view of the long continued and wilful violation of the provisions of the Municipal District Act in regard to the expenditure of municipal funds on public works and in view of the inefficiency of the secretary-treasurer and his assistant, I am of opinion that it would not be in the best interest of the Municipality to allow them to remain in office and would therefore recommend that the Minister exercise the power vested in him by Section 15 of the Department of Municipal Affairs Act and dismiss the secretary-treasurer, assistant secretary-treasurer and the whole council.

Respectfully submitted.

DATE DUE

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